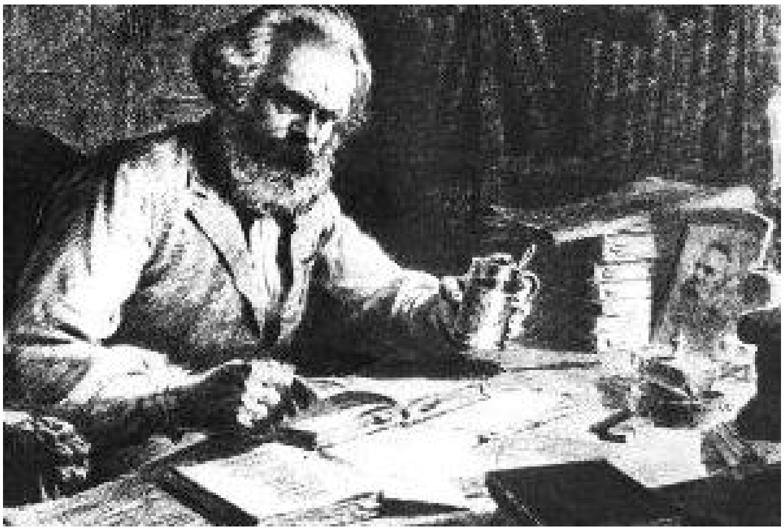
Communist University Introductions

These texts may be used as “openings to discussion” of the original reading texts that are supplied by the CU. They are not intended to be authoritative or conclusive. They are contributions to discussion like any other such contributions. The introductions are not a substitute for the reading texts.

Capital Volumes 2 and 3, Part 0



General Introduction to Karl Marx’s Capital, Volumes 2 and 3

The second and third volumes of Karl Marx's Capital will be serialised here during the fourth quarter of 2015.

We have first to consider how we will do it. These works appear difficult, and long. We are trying to make a way to move through them without stalling.

This will not be done by examining every detail, but it will be done in such a way as we can gain a broad idea of the scope and direction of Marx's intentions.

Division

Fortunately, Marx's division of Volume 2 into three Parts, and Volume 3 into seven Parts, will allow a convenient arrangement of the two volumes together into a "Generic Course" of ten parts, like the other fifteen courses of the Communist University.

Each Part of the two books is further divided into several Chapters. We will not attempt to tackle each chapter, or to amalgamate chapters. Instead, as a rule, a suitable chapter will be chosen from each part to serve as basis for discussion, while the Introduction will attempt to relate the chosen chapter to the entire Part.

Thus, while we will not have completed an exhaustive reading of the two works, yet we will have a much better idea of their scope, their shape, and their trajectory, and with luck, a good understanding of some of their highlights, or "salient points".

Those will be deemed suitable chapters for discussion which are short enough, and written in prose rather than relying on formulae. Otherwise, the content of the chapters will dictate the choice.

The Puzzle of Volumes 2 and 3

The major question that arises with Volumes 2 and 3 of "Capital" is whether, as Engels wrote in his Preface to Volume 3, they contain *"the most important parts of the entire work"*, or whether Volume 1 remains the essential answer to the quest for "the secret of the self-increase of capital" - surplus value. Marx's words, also from the beginning of Volume 3, provide a clue:

> *"The various forms of capital, as evolved in this book, thus approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves."*

It is becoming a fashion to quote from Volume 3 in particular, sometimes in a manner that implies that a good knowledge of Volume 1 is not enough any more, or can be "trumped" by those with knowledge of Volume 3.

But if it is understood that Marx's purpose was to challenge "economics", and not to confirm it, and thereby to go beneath "the ordinary consciousness of the agents

of production" to the real relations that exist, then Volume 1 must remain the ruling and determinant volume out of the three main volumes (Volume Four is Marx's summarised reading notes, called "Theories of Surplus Value").

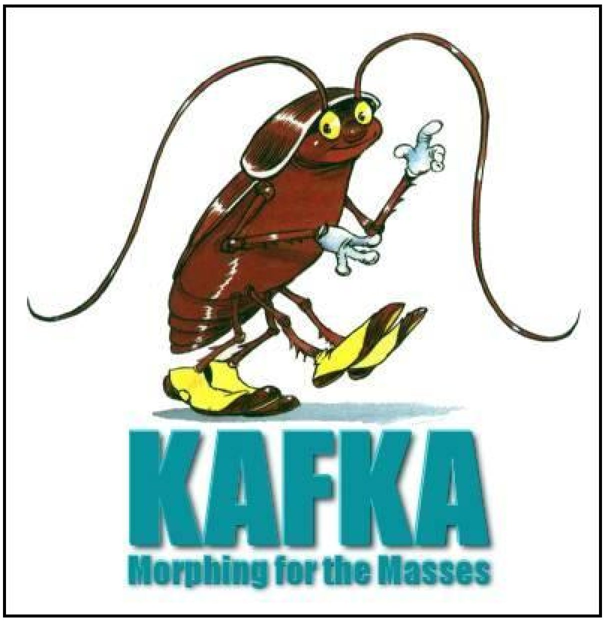
Indispensable

Nevertheless, Engels' remarks have some meaning, especially today, in the context of the "Global Economic Meltdown" of 2008, and the on-going "World Economic Crisis".

Because it is in Volume 3 that we arrive at Marx's very clear understanding of the way that capital plays out in the dominant public realm, and consequently in the power politics of the day. This is what makes Volume 3 in particular such a valuable and indeed indispensable book for today.

To consult a different study guide, mainly composed of questions but with some fruitful links, you may go to the **MIA Study Guide for Capital Volume Two**, and the **MIA Study Guide for Capital Volume Three**.

Amandla!



Metamorphoses of Capital

Having completed our course on Volume 1 of "Capital", we now begin Part 2. We will proceed in ten parts through to the end of Part 3.

"The Metamorphoses of Capital and their Circuits" is the title of Part 1 of Karl Marx's "Capital, Volume 2. A "metamorphosis" (plural "metamorphoses") in science is a profound change in form, such as from a tadpole to a frog or from a caterpillar to a butterfly. [The illustration above refers to the famous story "**Metamorphosis**", by Franz Kafka, wherein a man turns into a beetle].

Skimming through the first chapters of Volume 2, even though they contain some rather obscure formulas, it quickly becomes clear that what Marx is describing are the changes and movements that take place during the repeated acting-out of the capitalistic relationship (i.e. sale by the working proletarian, and its purchase by the capitalist, of commodified labour-power; extraction of surplus value; and sale of the commodified product of labour for money). These changes and movements are somewhat invisible to the actors, or else are only visible to them in an illusory form.

From Chapter 2:

> *"So long as the product is sold, everything is taking its regular course from the standpoint of the capitalist producer. The circuit of capital-value he is identified with is not interrupted. And if this process is expanded — which includes increased productive consumption of the means of production — this*

reproduction of capital may be accompanied by increased individual consumption (hence demand) on the part of the labourers, since this process is initiated and effected by productive consumption. Thus the production of surplus-value, and with it the individual consumption of the capitalist, may increase, the entire process of reproduction may be in a flourishing condition, and yet a large part of the commodities may have entered into consumption only apparently, while in reality they may still remain unsold in the hands of dealers, may in fact still be lying in the market. Now one stream of commodities follows another, and finally it is discovered that the previous streams had been absorbed only apparently by consumption. The commodity-capitals compete with one another for a place in the market. Late-comers, to sell at all, sell at lower prices. The former streams have not yet been disposed of when payment for them falls due. Their owners must declare their insolvency or sell at any price to meet their obligations. This sale has nothing whatever to do with the actual state of the demand. It only concerns the demand for payment*, the pressing necessity of transforming commodities into money. Then a crisis breaks out. It becomes visible not in the direct decrease of consumer demand, the demand for individual consumption, but in the decrease of exchanges of capital for capital, of the reproductive process of capital."*

Different capitals compete with one another, says Marx. The fundamental type of capital has been described in Volume 1. Here we see "capitals", plural, interacting with each other to produce a secondary phenomenon – a crisis.

Later in the same Chapter (under Part 3), Marx is very clear about the difference between "accumulation" and "hoarding". This is a crucial point in terms of recent SACP theory, which has at times leant heavily on the term "accumulation", or alternatively "accumulation path". Marx says:

"Hence the accumulation of money, hoarding, appears here as a process by which real accumulation, the extension of the scale on which industrial capital operates, is temporarily accompanied. Temporarily, for so long as the hoard remains in the condition of a hoard, it does not function as capital, does not take part in the process of creating surplus-value, remains a sum of money which grows only because money, come by without its doing anything, is thrown in the same coffer."

"Accumulation" for Marx is always the assembly of the prerequisites for the relationship "Capital" to make it appear in the first place, or subsequently, to make it repeat, and especially, to expand in scale. Any other kind of gathering-in, if it is not for consumption, is "hoarding".

For a reading of part of the original text, we offer Chapter 6, the last chapter in Part 1 of Volume 2 of Capital (attached; see also below for a link to download this chapter).

It is clear from Chapter 6 that in this Part 1, called "Metamorphoses of Capital and their Circuits", Marx is dealing with the Reproduction and Accumulation of capital, where "reproduction" is accomplished by the reassembly (called by Marx "accumulation") of the elements of production so that the cycle of extraction of surplus value can be re-enacted.

The following quotation can suffice to show that there is no question of Marx backsliding on the question of surplus-value being the source of "the self-increase of capital", as expounded repeatedly in Volume 1:

> *"To the capitalist who has others working for him, buying and selling becomes a primary function. Since he appropriates the product of many on a large social scale, he must sell it on the same scale and then reconvert it from money into elements of production. Now as before neither the time of purchase nor of sale creates any value.* ***The function of merchant's capital gives rise to an illusion.****"*

The illusion is that the self-increase in capital can be found in trading, whereas Marx continues to say that the self-increase in capital is found in the workplace, by the extraction of surplus labour.

- **The above is to introduce the original reading-text: Chapter 6, The Costs of Circulation, from Capital, Volume 2, Karl Marx**.

Turnover of Capital

In the fourth paragraph of Chapter 7, which is the first chapter of **Part 2 of Capital Volume 2** ("The Turnover of Capital"), Karl Marx quotes Chapter 23 of "Capital", Volume 1 as follows:

> *"We have seen previously:*
>
> *"If production be capitalistic in form, so, too, will be reproduction. Just as in the former the labour-process figures but as a means towards the self-expansion of capital, so in the latter it figures but as a means of reproducing as capital — i.e., as self-expanding value — the value advanced."*

Capital Volume 2 is an elaboration, and not a contradiction or a supersession, of Capital Volume 1. Far from the latter being the case, the concepts of "accumulation" and of "reproduction" are rather strongly confirmed and reinforced, and in the same sense as they were introduced in Volume 1.

Part 2 proceeds to cover variations from the simple, typical cases, so as to prove the validity of the general theory advanced in Volume 1.

For the purpose of stimulating discussion on Part 2, we offer for reading its final chapter, Chapter 17 (linked below as a downloadable file).

Note that Marx continues to reference back to "*Buch I*" (i.e. Capital, Volume 1).

Here is a typical paragraph from the early part of the attached or downloadable chapter:

> *"The simplest form in which the additional latent money-capital may be represented is that of a hoard. It may be that this hoard is additional gold or silver secured directly or indirectly in exchange with countries producing precious metals. And only in this manner does the hoarded money in a country grow absolutely. On the other hand it may be — and is so in the majority of cases — that this hoard is nothing but money which has been withdrawn from circulation at home and has assumed the form of a hoard in the hands of individual capitalists. It is furthermore possibly that this latent money-capital consists only of tokens of value — we still ignore credit-money at this point — or of mere claims of capitalists (titles) against third persons conferred by legal documents. In all such cases, whatever may be the form of existence of this additional money-capital, it represents, so far as it is capital in spe, nothing but additional and reserved legal titles of capitalists to future annual additional social production."*

This is followed by a very lengthy quotation from William Thompson in an 1850 book, and then this summary of Marx's:

> *"For reproduction only two normal cases are possible, apart from disturbances, which interfere with reproduction even on a fixed scale.*
>
> *"There is either reproduction on a simple scale.*
>
> *"Or there is capitalisation of surplus-value, accumulation."*

This is what Capital Volume 2 is about: Reproduction, Accumulation, and the relation between these two.

Later on, Marx writes directly:

> *"None of the laws established with reference to the quantity of the circulating money in the circulation of commodities (Buch I, Kap. III), [English edition: Ch. III. — Ed.] are changed in any way by the capitalist character of the process of production."*

Yet then he develops, in various ways, a question expressed most simply as follows:

"The capitalist class remains consequently the sole point of departure of the circulation of money. If they need £400 for the payment of means of production and £100 for the payment of labour-power, they throw £500 into circulation. But the surplus-value incorporated in the product, with a rate of surplus-value incorporated in the product, with a rate of surplus-value of 100%, is equal in value to £100. How can they continually draw £600 out of circulation, when they continually throw only £500 into it? Nothing comes from nothing. The capitalist class as a whole cannot draw out of circulation what was not previously thrown into it."

Marx continues to problematise this question until the end of the chapter, and leaves some of his questions unanswered.

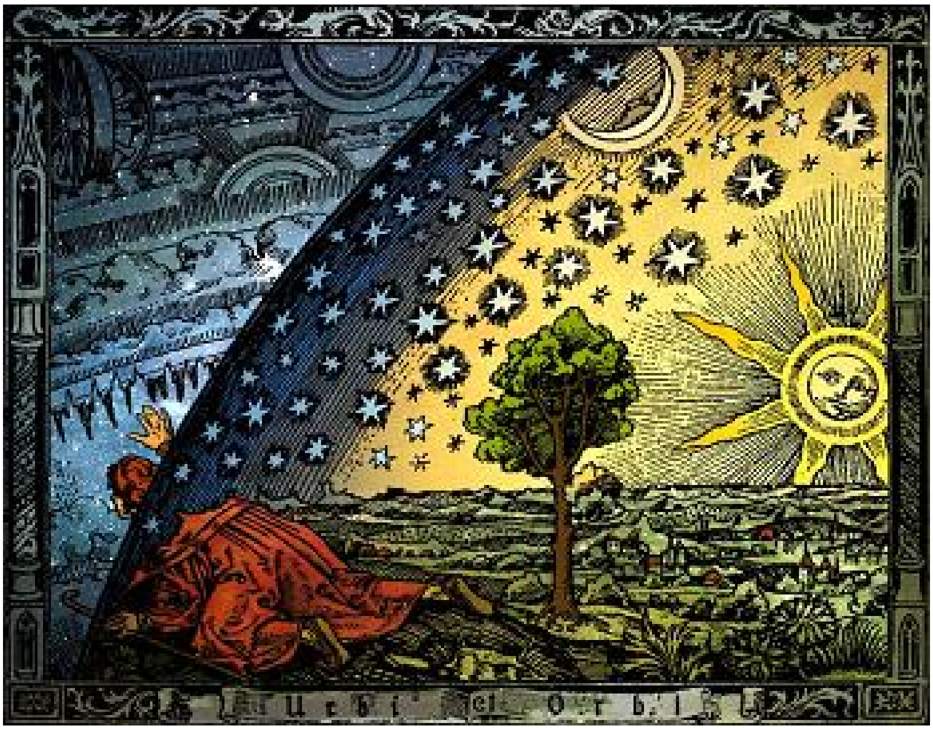
For example, on the question of the substitution of credit for gold in the process of circulation, Marx writes:

"…so far as the expediencies developing with the credit system have this effect, they increase capitalist wealth directly, either by performing a large portion of the social production and labour-power without any intervention of real money, or by raising the functional capacity of the quantity of money really functioning.

"This disposes also of the absurd question whether capitalist production in its present volume would be possible without the credit system (even if regarded only from this point of view), that is, with the circulation of metallic coin alone. Evidently this is not the case. It would rather have encountered barriers in the volume of production of precious metals. On the other hand one must not entertain any fantastic illusions on the productive power of the credit system, so far as it supplies or sets in motion money-capital. A further analysis of this question is out of place here."

We must look for those answers in Capital Volume 3, which we will come to immediately after dealing with the third and final Part of Capital Volume 2. These matters are crucial for understanding the current credit crisis, or "Global Economic Meltdown", or recession, or bank crisis, which has been going on since 2008.

- **The above is to introduce the original reading-text: Chapter 17, The Circulation of Surplus Value, from Capital, Volume 2, Karl Marx.**



Accumulation and Reproduction of Capital

Marx begins this third part of Capital, Volume 2 as follows:

> *"The direct process of the production of capital is its labour and self-expansion process, the process whose result is the commodity-product and whose compelling motive is the production of surplus-value."*

Here Marx is confirming, in direct terms, the order of things as explained in Capital, Volume 1. The motive of capital is the production of surplus-value, and the commodity-product is the consequence. Some would call this production for profit and not for need; others might say that it is the creation and the reproduction of a power relationship of the bourgeois owners over the working class.

Marx continues to assist. In contrast to the end of the second section of Volume 2, where he left us with more questions than answers, at the beginning of the third section he lays out the scheme of Volume 1 (" Book 1") and all three sections of Volume 2 as follows (shortened; see Chapter 18 for the full text):

> *"In Book I the process of capitalist production was analysed as an individual act as well as a process of reproduction: the production of surplus-value and the production of capital itself. The only act within the sphere of circulation*

on which we have dwelt was the purchase and sale of labour-power as the fundamental condition of capitalist production.

"In the first part of this Book II, the various forms were considered which capital assumes its circular movement, and the various forms of this movement itself. The circulation time must now be added to the working times discussed in Book I.

"In the second Part, the circuit was studied as being periodic, i.e., as a turnover.

"…Especially money-capital came forward with distinctive features not shown in Book I. Certain laws were found according to which diverse large components of a given capital must be continually advanced and renewed — depending on the conditions of the turnover — in the form of money-capital in order to keep a productive capital of a given size constantly functioning.

"But in both the first and the second Parts it was always only a question of some individual capital, of the movement of some individualised part of social capital.

"However the circuits of the individual capitals intertwine, presuppose and necessitate one another, and form, precisely in this interlacing, the movement of the total social capital.

"We have now to study the process of circulation (which in its entirety is a form of the process of reproduction) of the individual capitals as components of the aggregate social capital, that is to say, the process of circulation of this aggregate social capital."

There are four chapters in the third part of Volume 2. Chapter 18 is covered above. Chapter 19 doubles back to the Physiocrats and Adam Smith. Chapter 20 is very long, covering many kinds of ordinary and extraordinary circumstances, divided into four parts; but it begins with a useful schematic summary, as follows:

"The total product, and therefore the total production, of society may be divided into two major departments:

*"**I. Means of Production**, commodities having a form in which they must, or at least may, pass into productive consumption.*

*"**II. Articles of Consumption**, commodities having a form in which they pass into the individual consumption of the capitalist and the working-class.*

"All the various branches of production pertaining to each of these two departments form one single great branch of production, that of the means of production in the one case, and that of articles of consumption in the other. The aggregate capital employed in each of these two branches of production constitutes a separate large department of the social capital.

"In each department the capital consists of two parts:

*"**1) Variable Capital**. This capital, so far as its value is concerned, is equal to the value of the social labour-power employed in this branch of production; in other words, it is equal to the sum of the wages paid for this labour-power. So far as its substance is concerned, it consists of the labour-power in action, i.e., of the living labour set in motion by this capital-value.*

*"**2) Constant Capital**. This is the value of all the means of production employed for productive purposes in this branch. These, again, are divided into fixed capital, such as machines, instruments of labour, buildings, labouring animals, etc., and circulating constant capital, such as materials of production: raw and auxiliary materials, semi-finished products, etc.*

*"The value of the total annual product created with the aid of this capital in each of the two departments consists of one portion which represents the constant capital **c** consumed in the process of production and only transferred to the product in accordance with its value, and of another portion added by the entire labour of the year. This latter portion is divided in turn into the replacement of the advanced variable capital **v** and the excess over and above it, which forms the surplus-value **s**. And just as the value of every individual commodity, that of the entire annual product of each department consists of **c + v + s**."*

Reading for Discussion

We shall use Part 1 of Chapter 21, the last chapter in Volume 2, for a reading text, attached, and downloadable via the link below.

It is called "Accumulation and Reproduction on an Extended Scale", thus confirming what Volume 2 is about, namely these two words which feature very prominently in 21st century South African communist literature: Reproduction and Accumulation. At seven thousand words, Part 1 of Chapter 21 is sufficiently short and sufficiently plain in its prose to be read as a discussion document.

Let it suffice, therefore, for this introduction, to point out that in Volume 2, Marx is examining the leads and lags in the full cycle of the accumulation and reproduction of capital, and discovering features that arise during this circulation (e.g. *"…money-capital came forward with distinctive features not shown in Book I"*) which have a material effect on the entire concrete social phenomenon which is Capital with a capital "C".

One such feature is the "hoard" of money that is a necessary phenomenon within the cycle – the indispensible slack or easement without which the machinery could not move.

In Volume 1, Marx takes considerable pains to distinguish the miser (who hoards money) from the capitalist (who puts money into circulation). There is no contradiction, however, in Marx's thinking. The hoard that arises in the cycle of capital is a transitional, usable and re-chargeable reservoir, and not, like the miser's hoard of buried treasure, money that is permanently withheld from circulation and use of any kind.

Where one must be careful is with the unclear and conflicted representation of these matters that appears in the vulgar economics of "analysts" in newspapers and in the mouths of pundits and politicians today, where "capital" is invariably conceptualised in a limited sense as a hoard. For example the sentence "I need capital to start my business" always refers to a hoard, and only to a hoard.

In Marx, "accumulation" refers to the assembly, and the constant reassembly at an ever-larger scale, of all of the prerequisites for the extraction of surplus value, and not just to the pump-priming hoard of money.

These prerequisites for Capital also include the market, the proletariat, the bourgeoisie and the bourgeois state with its bourgeois constitution and laws, the means of communication, transport and trade, and the subordination of all other classes to the rapacious needs of the bourgeois class.

In the case of an individual business, the market for its goods or services is, in particular, a far more critical prerequisite than the prior possession of a hoard of money.

- **The above is to introduce the original reading-text: Capital, V 2, Chapter 21, Part 1, Accumulation and Reproduction on an Extended Scale, Marx.**

The Rate of Profit

Capital Volume 3, Part 1: The Conversion of Surplus-Value into Profit and of the Rate of Surplus-Value into the Rate of Profit

Marx begins Volume 3 as follows:

> *"In **Book I** we analysed the phenomena which constitute the* **process of capitalist production** *as such, as the immediate productive process, with no regard for any of the secondary effects of outside influences.*
>
> *"But this immediate process of production does not exhaust the life span of capital. It is supplemented in the actual world by the* process of circulation*, which was the object of study in **Book II**. In the latter, namely in Part III, which treated the process of circulation as a medium for the process of social reproduction, it developed that the capitalist process of production taken as a whole represents a synthesis of the processes of production and circulation.*
>
> *"Considering what this **third book** treats, it cannot confine itself to general reflection relative to this synthesis. On the contrary, it must locate and describe the concrete forms which grow out of the* **movements of capital as a whole***. In their actual movement capitals confront each other in such concrete shape, for which the form of capital in the immediate process of production, just as its form in the process of circulation, appear only as*

special instances. The various forms of capital, as evolved in this book, thus approach step by step the form which they assume on the surface of society, in the action of different capitals upon one another, in competition, and in the ordinary consciousness of the agents of production themselves."

In Chapter 21 of Volume 2 Marx had written:

"Let us note by the way: Once more we find here, as we did in the case of simple reproduction, that the exchange of the various component parts of the annual product, i.e., their circulation …does not by any means presuppose mere purchase of commodities supplemented by a subsequent sale, or a sale supplemented by a subsequent purchase, so that there would actually be a bare exchange of commodity for commodity, as Political Economy assumes, especially the free-trade school since the physiocrats and Adam Smith."

Like that of the physiocrats and Adam Smith, the "ordinary consciousness of the agents of production themselves" is confined to "the surface of society". In the journey through Volume 1 and Volume 2, from Marx's point of departure in the first line of the entire work (*"The wealth of those societies in which the capitalist mode of production prevails, presents itself as 'an immense accumulation of commodities'")* we have submarined among the deep and hidden workings of the system, so as to comprehend its true nature. Now, in Volume 3, we are going to emerge again into the visible world, and examine the phenomena that form the conscious narrative of politics, and which inform the subjective reactions of men and women from day to day and year to year.

But we must continue to hold in mind the revelations of Volumes 1 and 2. Marx is still exploring *"the secret of the self-expansion of capital"*.

In the beginning of Chapter 2 of Volume III, Marx again allows himself to be terse and direct:

"The general formula of capital is M-C-M'. In other words, a sum of value is thrown into circulation to extract a larger sum out of it. The process which produces this larger sum is capitalist production. The process that realises it is circulation of capital. The capitalist does not produce a commodity for its own sake, nor for the sake of its use-value, or his personal consumption. The product in which the capitalist is really interested is not the palpable product itself, but the excess value of the product over the value of the capital consumed by it.

"…he is a capitalist, and can undertake the process of exploiting labour only because, being the owner of the conditions of labour, he confronts the labourer as the owner of only labour-power. As already shown in the first book, (i.e. Volume 1) it is precisely the fact that non-workers own the means of production which turns labourers into wage-workers and non-workers into capitalists."

Capital is more of a relationship than a thing. It is permanently a relationship. It may have a money-form as part of its cycle, but the relationship of labourer to capitalist is constant throughout the cycle.

Volume III is divided into seven parts. We will take one part at a time, and choose one chapter from each part as an attached reading text.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 2, The Rate of Profit, Karl Marx.**

The General Rate of Profit

Capital Volume 3, Part 2, Conversion of Profit into Average Profit

The source of increase under capitalism is surplus value. This is the truth that is revealed in exhaustive detail in **Capital, Volume 1**, and it is not going to be contradicted here in **Volume 3**.

But the rate of what is called "profit" is not the increase by itself, but the increase in relation to all costs of production.

Marx's definition of the rate of profit is *"the ratio of surplus labour (*s*) to necessary labour plus the value of components and materials used in production (*v + c*) – the capitalist's costs of production."*

Labour power is paid for at cost, but yields more labour than is required to reproduce labour-power. The extra labour thus found (i.e. surplus labour) generates surplus value.

All other inputs such as materials, equipment and general overhead expenses are inert costs that have no regenerative power. They are simply consumed in production and their cost is passed on directly to form part of the commodity price of the resultant product.

Only labour can produce surplus value. All other inputs, even if their cost is passed on in full into the selling-price, neither add nor take away from profit, but go to reduce the overall rate of profit. When labour and the corresponding surplus-value it produces become a smaller proportion of the whole, the rate of profit on the whole outlay is less.

It follows that the only way that profit can be made, or increased, is by the employment of people, or more people. This is in turn is why the threat of employers to employ machinery instead of people is hollow. To make more money, the capitalist must generally employ more people.

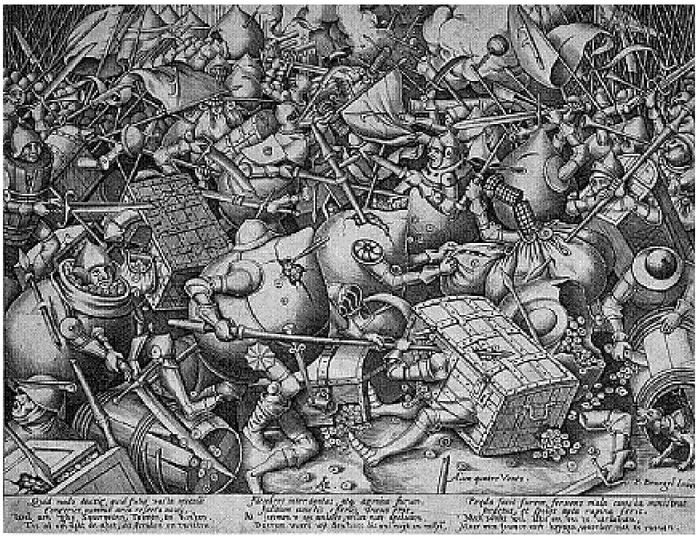
The jargon used today is “labour-intensive” versus “capital-intensive”. In a capital-intensive business, the costs of other inputs are higher in proportion to the labour-power employed, and the rate of profit is consequently lower.

This is shown in the table given at the beginning of the well-known **Chapter 9 of Volume 3** (attached; download linked below).

This chapter is full of quite simple examples, interspersed with categorical general statements. It is readable to people with a business background.

In general, the chapter is about the development of the overall “economy” out of its individual-capitalist parts, so that we now enter the world of “financial markets”, with an idea of what comes through from the basic relationships, and what begins to feed back from the overall (social) level so as to affect individual enterprises.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 9, Formation of a General Rate of Profit.**



Tendency of the Rate of Profit to Fall

Capital Volume 3, Part 3, The Law of the Tendency of the Rate of Profit to Fall

The most well-known insight of Capital Volume 3 is the Law of the Tendency of the Rate of Profit to Fall, often abbreviated to "TRPF".

Chapter 13 (attached) describes the Law very directly and simply.

The TRPF is not a mystical law. The TPRF is in the first place a consequence of the simple fact that surplus value extracted from wage-workers is the only source of increase of capital, and profit is surplus value less the capitalists' other costs, (where these other costs are what Marx calls "constant capital", and where wages are "variable capital").

The tendency for the amount of labour-power used to become less over time, as compared to the "constant capital" used, is what causes the TRPF - the tendency of the rate of profit to fall.

The constant capital includes technology, and the cost of technological inputs rises in relation to the amount of labour applied, when more scientific methods are used (often described as labour-saving methods).

This produces an apparent paradox: When productivity of labour rises, profits fall. The more "capital-intensive" is a business, the less profit is made in proportion to the amount of money invested.

Does this mean that capitalism is going to fade away? Does it mean that there is an entropy in play for capitalism, like the winding-down of the solar system? So that

profits will eventually reduce almost to zero, and the capitalist relationship therefore become unsustainable and cease to exist?

Perhaps Kautsky might have thought so, but there are “counteracting influences”, some of which Marx describes in the following **Chapter 14 of Capital Volume 3**. Wikipedia (**here**) lists Marx’s “counteracting influences” as follows:

- more intense exploitation of labour (raising the rate of exploitation)
- reduction of wages below the value of labour power
- cheapening the elements of constant capital by various means
- the growth and utilization of a relative surplus population (the reserve army of labour)
- foreign trade reducing the cost of industrial inputs and consumer goods
- the increase in share capital which devolves part of the costs of using capital on others.

Do the “counteracting influences” balance out the TRPF and produce a capitalist equilibrium?

No, not exactly. Instead, what we actually have is a very dynamic, unstable, and finally political, living world. We have constant crises, contradictions, and conflict. “Creative destruction” is part of this picture, whereby for example the vast destruction caused by war, and the huge reconstruction effort that must follow, may permit the capitalist system to “reset” me degree. Some economists believe this to be the case. Marx did not say so. But clearly, ideas of this kind are related to the TRPF and the threat of entropy that it holds.

“Marxism” is for many purposes practiced as a hidden science in capitalist society. For example, the business pages of newspapers seldom relate what is happening in businesses from day to day, to theories of surplus value. Marx gets a nod now and again, but mostly he is ignored.

But it is not the case that in the world of economic theory, Marx is never consulted by bourgeois economists. The terrain on which the parlay happens is here, in Capital Volume 3. The TRPF and its countervailing tendencies are familiar to bourgeois economists. They have their own variations on the problematisation of the TRPF, or its equivalent as they see it, such as what they call “the law of diminishing returns”.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 13, The Law As Such.**

Money-Dealing Capital

Capital Volume 3, Part 4: Conversion of Commodity-Capital and Money-Capital into Commercial Capital and Money-Dealing Capital (Merchant's Capital)

Since 2008 in particular, the world has been described as being in a "global economic meltdown". This crude bogey is not in fact a new phenomenon. The nature of banking and money-dealing has been well known since the publication of Capital Volume 3, as was noted in various publications at the start of the "meltdown". One good example **is an article by Dave Lindorff in CounterPunch on 3 October 2008**, which quotes **Chapter 30 in Part 5 of Capital Volume 3** ("Money Capital and Real Capital") to show that Marx had in that chapter described the working of the "meltdown" very completely and very concisely.

Here is the quote, with Lindorff's edits:

> *"In a system...where the entire continuity of the...process rests upon credit, a crisis must obviously occur -- a tremendous rush for means of payment -- when credit suddenly ceases and only cash payments have validity. At first glance, therefore, the whole crisis seems to be merely a credit and money crisis. And in fact it is only a question of the convertibility of bills of exchange into money. But the majority of these bills represent actual sales and purchases,* ***whose extension far beyond the needs of society*** *is, after all, the basis of the whole crisis. At the same time, an enormous quantity of these bills*

of exchange represents plain swindle, which now reaches the light of day and collapses; furthermore, unsuccessful speculation with the capital of other people; finally, commodity-capital which has depreciated or is completely unsaleable, or returns that can never more be realized again. The entire artificial system of forced expansion of the [economy] cannot, of course, be remedied by having some bank, like the [Federal Reserve], give to all the swindlers the deficient capital by means of its paper and having it buy up all the depreciated commodities at their old nominal values. Incidentally, everything here appears distorted, since in this paper world, the real price and its real basis appear nowhere, but only bullion, metal coin, notes, bills of exchange, securities. Particularly in centres where the entire money business of the country is concentrated, like London [or New York]...the entire process becomes incomprehensible."

Broadly it appears that the ability of bankers and of traders in financial instruments to create money is unrestrained. In Marx's time there was a link between money and gold and silver, and this link remained, officially, until the 1970s. The de-facto position of gold remains, but even gold has now been fictionalised to an extent, so that there is a lot more gold "on the books" than physically exists.

This is therefore another area wherein the writings of Karl Marx, particularly here in Capital, Volume 3, speak directly to the bourgeois economists of today. Marx is however quite explicit in saying that the source of increase of wealth in capitalist society remains one and the same as before: surplus value extracted by the exploitation of labour power paid for with wages at the point of production.

In **Chapter 19, on "Money-Dealing Capital"** (attached; download linked below) Marx states at the beginning:

"A definite part of the total capital dissociates itself from the rest and stands apart in the form of money-capital, whose capitalist function consists exclusively in performing these operations for the entire class of industrial and commercial capitalists. As in the case of commercial capital, a portion of industrial capital engaged in the circulation process in the form of money-capital separates from the rest and performs these operations of the reproduction process for all the other capital. The movements of this money-capital are, therefore, once more merely movements of an individualised part of industrial capital engaged in the reproduction process."

There is nothing in the above to suggest that the identification of the extraction of surplus value in Capital Volume 1 as the essence of capital has been surpassed or rendered obsolete. On the contrary, Capital Volume 1 is hereby confirmed as

continuing to be the essential and necessary basis and foundation in reality upon which the ever-more-fantastic world of money-dealing is erected.

Marx concludes the chapter as follows:

> *"It is evident that the mass of money-capital with which the money-dealers operate is the money-capital of merchants and industrial capitalists in the process of circulation, and that the money-dealers' operations are actually operations of merchants and industrial capitalists, in which they act as middlemen.*
>
> *"It is equally evident that the money-dealers' profit is* ***nothing but a deduction from the surplus-value****, since they operate with already realised values (even when realised in the form of creditors' claims)."*

"Nothing but a deduction from the surplus-value" is as plain a statement as could be, and this corresponds to the current jargon of "the real economy", or in other words, of "Main Street" as opposed to "Wall Street".

The distinction is the same as the one between the financial economy and the "productive economy", referred to during the Red October campaign of 2014 in South Africa. Under capitalism, the "productive economy" is the economy of extraction of surplus value.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 19, Money-Dealing Capital.**

Interest-Bearing Capital

Capital Volume 3, Part 5, Division of Profit into Interest and Profit of Enterprise. Interest-Bearing Capital.

This is a long part of Volume 3 and is really too much with its sixteen chapters (21 – 36), almost a book in itself, to be covered in a single discussion. Therefore let us concentrate as before on the question of whether Volume 1 of Capital is undermined or over-ruled by Volume 3.

Marx makes it clear that this is not the case at the beginning of Chapter 23 where he writes:

> *"Interest, as we have seen in the two preceding chapters, appears originally, is originally, and remains* ***in fact merely a portion of the profit,*** **i.e.*, of the surplus-value****, which the functioning capitalist, industrialist or merchant has to pay to the owner and lender of money-capital whenever he uses loaned capital instead of his own."*

These pages contain great good sense and a lot of assistance to people trying to understand the "Global Economic Meltdown" that has been going on since 2008, and is now also generally referred to as "the debt crisis", or just "the crisis". As an example, here are some paragraphs from our sample **Chapter 29, Component Parts of Bank Capital**, (download linked below).

"We shall now consider labour-power in contrast to the capital of the national debt, where a negative quantity appears as capital — just as interest-bearing capital, in general, is the fountainhead of ***all manner of insane form****s, so that debts, for instance, can appear to the banker as commodities. Wages are conceived here as interest, and therefore labour-power as the capital yielding this interest. For example, if the wage for one year amounts to £50 and the rate of interest is 5%, the annual labour-power is equal to a capital of £1,000.* ***The insanity*** *of the capitalist mode of conception reaches its climax here, for instead of explaining the expansion of capital on the basis of the exploitation of labour-power, the matter is reversed and the productivity of labour power is explained by attributing this mystical quality of interest-bearing capital to labour-power itself. In the second half of the 17th century, this used to be a favourite conception (for example, of Petty), but it is used even nowadays in all seriousness by some vulgar economists and more particularly by some German statisticians.[1] Unfortunately two disagreeably frustrating facts mar this thoughtless conception. In the first place, the labourer must work in order to obtain this interest. In the second place, he cannot transform the capital-value of his labour-power into cash by transferring it. Rather, the annual value of his labour-power is equal to his average annual wage, and what he has to give the buyer in return through his labour is this same value plus a surplus-value, i.e., the increment added by his labour. In a slave society, the labourer has a capital-value, namely, his purchase price. And when he is hired out, the hirer must pay, in the first place, the interest on this purchase price, and, in addition, replace the annual wear and tear on the capital.*

"The formation of a fictitious capital is called capitalisation. Every periodic income is capitalised by calculating it on the basis of the average rate of interest, as an income which would be realised by a capital loaned at this rate of interest. For example, if the annual income is £100 and the rate of interest 5%, then the £100 would represent the annual interest on £2,000, and the £2,000 is regarded as the capital-value of the legal title of ownership on the £100 annually. For the person who buys this title of ownership, the annual income of £100 represents indeed the interest on his capital invested at 5%. All connection with the actual expansion process of capital is thus completely lost, and ***the conception of capital as something with automatic self-expansion properties is thereby strengthened****.*

"Even when the promissory note — the security — does not represent ***a purely fictitious capital****, as it does in the case of state debts,* ***the capital-value of such paper is*** *nevertheless* ***wholly illusory****. We have previously seen in what manner the credit system creates associated capital. The paper serves as title of ownership which represents this capital. The stocks of railways, mines,*

navigation companies, and the like, represent actual capital, namely, the capital invested and functioning in such enterprises, or the amount of money advanced by the stockholders for the purpose of being used as capital in such enterprises. This does not preclude the possibility that these may represent pure swindle. But this capital does not exist twice, once as the capital-value of titles of ownership (stocks) on the one hand and on the other hand as the actual capital invested, or to be invested, in those enterprises. It exists only in the latter form, and a share of stock is merely a title of ownership to a corresponding portion of the surplus-value to be realised by it. A may sell this title to B, and B may sell it to C. These transactions do not alter anything in the nature of the problem. A or B then has his title in the form of capital, but C has transformed his capital into a mere title of ownership to the anticipated surplus-value from the stock capital."

It remains the case that in Volume 3, Karl Marx is constantly referring back to Volume 1, and reminding us that whatever "financial" profits (as we would now call them) there may be, these are only portions of the surplus value generated at the point of production by the capitalistic exploitation of living human labour-power.

Picture: Max Keiser, of Russia Today's "Keiser Report" television programme, in a London taxi. Keiser is particularly eloquent about the insane role of "fictitious capital" in present conditions, which appear not to have changed at all from the time of Karl Marx, where finance capital is concerned. RT is on DSTV channel 407.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 29, Component Parts of Bank Capital.**

Capital Volume 3, Part 6

Ground Rent

Capital Volume 3, Part 6, Transformation of Surplus-Profit into Ground-Rent

In the 11-chapter Part 6 of Capital Volume 3, Karl Marx relates capital (reproduction of surplus value) to the much older, pre-capitalist concept and practice of rent. He shows how rent became, and remains, part of the capitalistic system. Our chosen **Chapter 38** (download linked below) deals with the "surplus-profit" over and above the general rate of profit, that may arise from fortuitous factors like the possession of a waterfall; and the concept of differential rent as a means of taking account of such a variation from the norm.

But first, let us exploit the summarising paragraphs on rent, given below in a shortened version, which Marx gives in the Introduction to this section. Note that, as Marx reminds us, these remarks bear upon the question of **mining** as much as they bear upon agriculture:

> *"The analysis of landed property in its various historical forms is beyond the scope of this work.* ***We shall be concerned with it only in so far as a portion of the surplus-value produced by capital falls to the share of the landowner.*** *We assume, then, that agriculture is dominated by the capitalist mode of production just as manufacture is; in other words, that agriculture is carried on by capitalists who differ from other capitalists primarily in the manner in which their capital, and the wage-labour set in motion by this capital, are invested. So far as we are concerned, the farmer produces wheat, etc., in much the same way as the manufacturer produces yarn or machines. The assumption that the capitalist mode of production has encompassed agriculture implies that it rules over all spheres of production and bourgeois society, i.e., that its prerequisites, such as free competition among capitals, the possibility of transferring the latter from one production sphere to another, and a uniform level of the average profit, etc., are fully matured. The form of landed property which we shall consider here is a specifically historical one, a form transformed through the influence of capital and of the capitalist mode of production, either of feudal landownership, or of small-peasant agriculture as a means of livelihood, in which the possession of the land and the soil constitutes one of the prerequisites of production for the direct producer, and in which his ownership of land appears as the most advantageous condition for the prosperity of his mode of production.*

"Just as the capitalist mode of production in general is based on the expropriation of the conditions of labour from the labourers, so does it in agriculture presuppose the expropriation of the rural labourers from the land and their subordination to a capitalist, who carries on agriculture for the sake of profit…

"For our purposes it is necessary to study the modern form of landed property, because our task is to consider the specific conditions of production and circulation which arise from the investment of capital in agriculture. Without this, our analysis of capital would not be complete… ***(Or, instead of agriculture, we can use mining because the laws are the same for both.)***

"Landed property is based on the monopoly by certain persons over definite portions of the globe, as exclusive spheres of their private will to the exclusion of all others. With this in mind, the problem is to ascertain the economic value, that is, the realisation of this monopoly on the basis of capitalist production.

"With the legal power of these persons to use or misuse certain portions of the globe, nothing is decided. The use of this power depends wholly upon economic conditions, which are independent of their will. The legal view itself only means that the landowner can do with the land what every owner of commodities can do with his commodities. And this view, this legal view of free private ownership of land, arises in the ancient world only with the dissolution of the organic order of society, and in the modern world only with the development of capitalist production…

*"In the section (**in Volume 1**) dealing with primitive accumulation we saw that this mode of production presupposes, on the one hand, the separation of the direct producers from their position as mere accessories to the land (in the form of vassals, serfs, slaves, etc.), and, on the other hand, the expropriation of the mass of the people from the land.*

"To this extent the monopoly of landed property is a historical premise, and continues to remain the basis of the capitalist mode of production, just as in all previous modes of production which are based on the exploitation of the masses in one form or another. But the form of landed property with which the incipient capitalist mode of production is confronted does not suit it. It first creates for itself the form required by subordinating agriculture to capital. It thus transforms feudal landed property, clan property, small peasant property in mark communes — no matter how divergent their juristic forms may be — into the economic form corresponding to the requirements of this mode of production.

"One of the major results of the capitalist mode of production is that, on the one hand, it transforms agriculture from a mere empirical and mechanical self-perpetuating process employed by the least developed part of society into the conscious scientific application of agronomy, in so far as this is at all feasible under conditions of private property; that it divorces landed property from the relations of dominion and servitude, on the one hand, and, on the other, totally separates land as an instrument of production from landed property and landowner — for whom the land merely represents a certain money assessment which he collects by virtue of his monopoly from the industrial capitalist, the capitalist farmer; it dissolves the connection between landownership and the land so thoroughly that the landowner may spend his whole life in Constantinople, while his estates lie in Scotland. Landed property thus receives its purely economic form by discarding all its former political and social embellishments and associations, in brief all [its] traditional accessories…

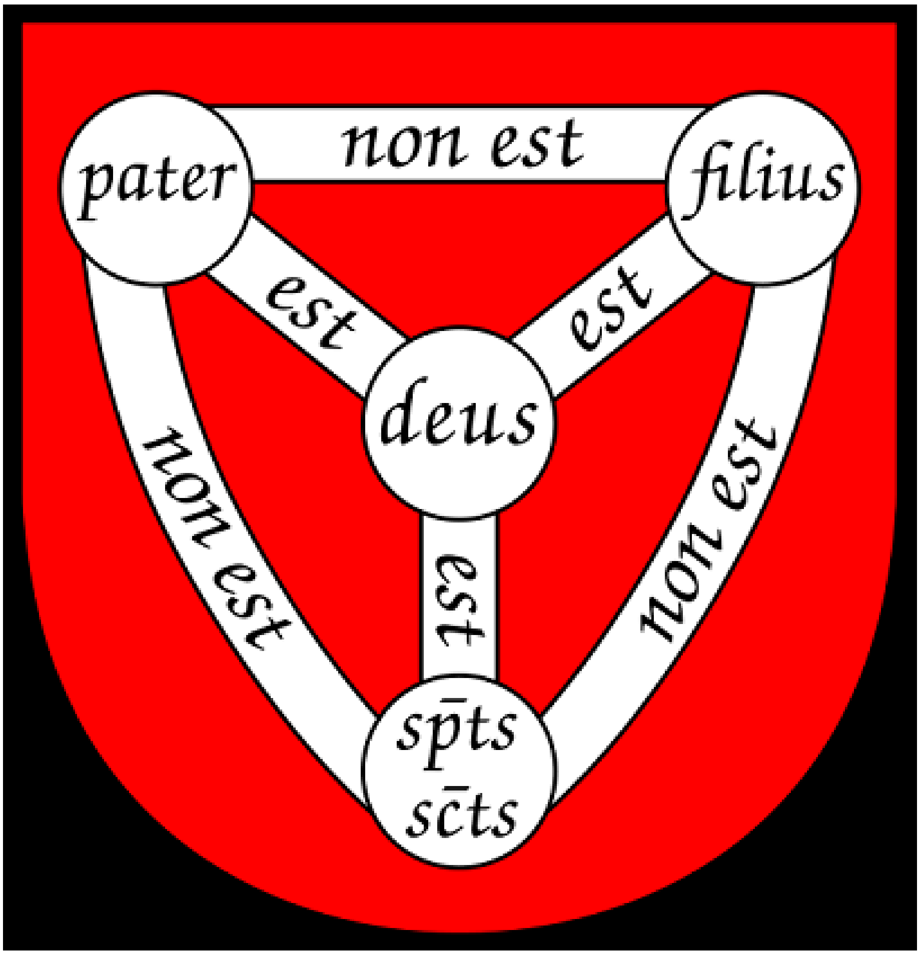
"The rationalising of agriculture, on the one hand, which makes it for the first time capable of operating on a social scale, and the reduction ad absurdum of property in land, on the other, are the great achievements of the capitalist mode of production. Like all of its other historical advances, it also attained these ***by first completely impoverishing the direct producers****."*

Once again, Marx refers back to matters dealt with in Volume 1.

Among other things, Marx is here providing us with explanations as to why the land question in South Africa is so intractable. Land is part of capitalism, and so are mines. There can be no going back, but only forward, because in its productive aspect land has never been more socialised. Only in its ownership can land become more socialised than it already is, and it can only be fully re-socialised by the complete abolition of capitalism.

As with banking, so also with landowning: Under capitalism the take is a portion of surplus-value. This part shows how such rent arises and how it is calculated for the various conditions, of which the first example given is as clear as any, and can serve as typical.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 38, Differential Rent: General Remarks.**



Revenues and their Sources

Capital Volume 3, Part 7, Revenues and their Sources

The last part of the last book of Capital begins as Volume 1 ended, with a reminder that capital is not a thing, but it is a relationship. In Part 1 of our chosen text, Chapter 48, The Trinity Formula (download linked below) Marx writes:

> *"**Capital, land, labour**! However, capital is not a thing, but rather a definite social production relation, belonging to a definite historical formation of society, which is manifested in a thing and lends this thing a specific social character. Capital is not the sum of the material and produced means of production. Capital is rather the means of production transformed into capital, which in themselves are no more capital than gold or silver in itself is money. It is the means of production monopolised by a certain section of society, confronting living labour-power as products and working conditions rendered independent of this very labour-power, which are personified through this antithesis in capital…"*

Shortly afterwards, Marx turns to a summary of the illusory and impossible conception of the same relationship as seen by self-serving "vulgar" bourgeois economists, starting like this:

> *"Vulgar economy actually does no more than interpret, systematise and defend in doctrinaire fashion the conceptions of the agents of bourgeois production who are entrapped in bourgeois production relations. It should not astonish us, then, that vulgar economy feels particularly at home in the estranged outward appearances of economic relations in which these* prima facie *absurd and perfect contradictions appear and that these relations seem the more self-evident the more their internal relationships are concealed from it, although they are understandable to the popular mind. But all science would be superfluous if the outward appearance and the essence of things directly coincided. Thus, vulgar economy has not the slightest suspicion that the* ***trinit****y which it takes as its point of departure, namely,* ***land*** *— rent,* ***capital*** *— interest,* ***labour*** *— wages or the price of labour, are* prima facie *three impossible combinations."*

Later in this paragraph (section III of the chapter), Marx refers to Volume 1 ("Book 1") and contrasts the irrational bourgeois concept of value with the true understanding of surplus value.

To finish by returning to Engels' introductory remarks: Yes, Capital Volume 3 is important. It is not superfluous. Volume 3 is directly helpful in the current circumstances of "Global Economic Meltdown" and "Debt Crisis". But Volume 3 does not render Volume 1 redundant. On the contrary, Volume 3 relies upon and leans upon Volume 1 and constantly confirms Volume 1, throughout.

The last Chapter of Capital Volume 3 is **Chapter 52, "Classes"**, and it ends: "**[Here the manuscript breaks off.]**"

Engels provided a supplement to Volume 3 which can be found on MIA, **here**.

Picture: A representation of the Christian "Holy Trinity". "*Pater*", "*filius*" and "*spiritus sanctus*" are Father, Son and holy spirit (Holy Ghost), and "*deus*" is God. "*Est*" means "is", and "*non est*" means "is not". These are "*prima facie"* three impossible combinations. If all are God, then it follows in logic that all must be the same as each other; but the diagram says they are not the same as each other. This is a logical "*non sequitur*" (i.e. "it does not follow").

Marx is not challenging Christianity. Christians may, as some of them do, accept the Trinity as an article of faith, while others may say (as do the Jesuits, for example) that the Trinity may be a mystery, but we must constantly strive to understand it.

Marx is rather saying that the Christian Trinity is not reconcilable by logic, and the bourgeois Trinity of capital, land, and labour likewise does not constitute three of a kind, and, like the Christian Trinity, this bourgeois Trinity it does not constitute a logical unity.

- **The above is to introduce the original reading-text: Capital Volume 3, Chapter 48, The Trinity Formula.**

Course: Karl Marx, Capital Volumes 2 and 3

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